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THE ECONOMIC STATE.

BY some writers on economic theory, land, labor and capital are taken as the three factors essential to production. In other treatises only land and labor are included under this head, capital being looked upon simply as saved labor, and classed in the same category as machines and industrial undertakings. If we mean by production the simple exertion of physical energy necessary to sustain organic life, land and labor may indeed be considered as the sole factors which are involved. In the science of economics, however, we are not dealing with organic creatures in general, but with human beings alone, who are conscious of their activities. Economic production must, therefore, be distinguished from simple production and regarded rather as the conscious application of man's physical labor upon the land. Inasmuch, however, as it was human consciousness which first evolved the idea of capital and induced men to apply it in practice to all their creations, this distinction will prove fundamental. It will compel us, in short, to abandon the saved-labor theory and include capital, without reservation, among the original elements of economic production. Man, moreover, is by nature a social animal, and produces not individually, but in combination with his fellows. Economic production must, therefore, involve both a division and an association of human labor. As this, however, renders necessary some system of exchange and distribution before the final end of production is reached in the satisfaction of the individual desire, and as such a system does not fall in the category of either land, labor or capital, we are forced, it seems to me, to go still further and to add to the three original factors of economic production, a fourth, namely, industrial organization, or the economic state.

The inclusion of capital and the economic state among the prime elements of production is no novelty. In going over the proof I consider necessary to justify such inclusion, I shall

be obliged for the most part to traverse familiar ground. My only excuse for the repetition must lie in the fact that I have nowhere found developed in one logical connection, the doctrine that economic production must, in its very nature, imply division and association of labor, exchange and distribution, and that without the concrete existence of capital and the industrial state such production would be impossible.

It is unfortunate that the English language contains no generally accepted word to describe the conscious activity of human beings in the joint satisfaction of their individual desires. The simple term production we have already found too narrow, while the expression economic production is both awkward and ambiguous. The Germans have tersely summed up the idea in their word *Wirthschaft*, and in the absence of a better term I may perhaps be allowed to adopt a growing usage and employ our own noun "economy" in this same active sense. Henceforth in the present inquiry, therefore, "economy" may be taken as a term practically convertible with "economic production" as used thus far.

I.

Before attempting to analyze the actual economic conditions of society, one should first, through a process of pure reason, form an abstract idea of an economy, and then determine the constituent elements which go to make up this idea.

As the natural premises for such a deductive inquiry, we may assume first, the surface of the earth, with its annuity of heat, light, air and moisture, and second, the human beings who inhabit this surface.

Being members of the human family ourselves, our knowledge of this second premise can only come through a process of self-examination. If we adopt, therefore, the dictum of Socrates, *γνώθι σεαυτόν*, we shall find, as he did, that human nature is dual; that within us there is both a particular and a universal self — a nature of pure sensation and a nature of pure thought. For our present purpose, however, we must go still deeper and recognize the fact that both these natures have

wants which must be gratified, else existence is impossible or at best incomplete.

Through instinct and experience, we have long since learned that outer nature, — or, as we have defined it, the surface of the earth with its annuity of heat, light, air and moisture — is the final source of satisfaction for human needs. But nature is, we know, chary of her gifts, and returns life-giving elements to man only on the condition that he exert at least his physical self upon her. Human life is, therefore, in its very essence, a struggle for existence — an endeavor on the part of man to satisfy his wants from outer nature, or the land, by the exertion of his physical energy, or labor.

If we now submit ourselves to a still more rigid self-examination, we shall be forced to admit, I think, that by nature we are averse to labor ; or, as Emerson has somewhere said: "Man is as lazy as he dares to be." And yet, as human beings, we know that our natural cravings are both limitless and apparently insatiable. For every longing satisfied by labor there is opened up before us a new vista of ungratified desires. Thus, from the satisfaction of the simple necessities of our physical being, we are led on through the gratification of our more complex physical wants to a thirst for mental and spiritual fullness. Those who have pursued furthest the dictum of the physical sciences, *γυνῶθι τὸ ἔξω*, assure us, however, that outer nature is not merely chary of her gifts, but in the highest degree niggardly. From the facts they lay before us we are even reluctantly convinced that, after a certain point has been reached, the land of the earth's surface will tend to afford a decreasing rather than an increasing return to man's labor.

Were land and labor, therefore, the sole factors of the economic problem, man's struggle on earth for an ever-expanding existence would indeed be a hopeless one. True, we could perhaps conquer our natural inertia; but even then physical exertion would find its ultimate limit in possible human endurance. Unless a given amount of physical energy exerted by man can be made to force from outer nature an ever-increasing return, starvation, or at best stagnation, must ensue.

If, in short, the interaction of the natural forces inherent in land and labor give as a resultant simple brute existence, where by the postulate of human nature an enlarging economic existence is demanded, then the introduction of some third factor is essential to the solution of the question.

In this struggle for economic existence the initiative must, in the very nature of things, lie with man. If, therefore, the simple exertion of his physical nature must in time prove inadequate to satisfy his ever-increasing wants, he will ultimately be obliged to turn to his nature of pure thought for the extra force required, simply because this is the only source remaining from which he can draw. It is impossible, of course, that thought should exert itself directly upon outer nature in the satisfaction of human wants. Man may, however, by the exercise of his ingenuity, devise means whereby the forces of the outer world shall be made to take the place of his physical muscle-power in the gratification of his desires. Or, again, he may invent tools which shall be better adapted to extract goods of satisfaction from the land than those given him by nature. In either case it is the spiritual man that must evolve the idea, while the physical man is simply left with the task of putting it into execution. Such goods, invented and fashioned by human beings to be devoted to reproduction, we call capital — the first fruits of man's economic genius.

We are certainly justified, therefore, in including this idea of capital among the elements essential to an ideal economy; for without capital economic existence would be impossible. The point to bear in mind, however, is, that though some check must indeed be imposed upon the immediate desires of the individual, before he can provide himself with such goods as he can devote to reproduction, still, this restraint is rather the attribute than the essence of the idea. Capital, in other words, should be regarded not simply as the result of abstinence, but rather as the creature of pure thought, instituted by man's inventive genius, realized by his physical labor and amassed by his spirit of saving.

With the creation and expansion of capital, however, man's ingenuity cannot be said to have played its entire rôle. Land, labor and capital alone would never suffice to solve the problem of human existence ; nor, as a matter of fact, have they ever done so. Capital, it is true, is able to save labor to almost any extent, conquer outer nature with marvelous effect, and give us satisfaction for a host of wants before not even dreamed of ; but let a human being invent, save and labor as he will, there must still remain before him a mountain of ungratified desires, if for no other reason than because individual labor and capital are not powerful enough to conquer outer nature to the extent required for the economic evolution of the human species. Then again the land, which must be looked upon as the final source of supply, is strictly limited both in area and in productive capacity, while human beings, whose wants are limitless, may multiply without end. If, then, all mankind through the application of labor and capital continually strove to reap greater and greater satisfaction from the one common source, there would in time of necessity result a conflict of individual interests, and human existence would resolve itself eventually into a war of extermination — the very negation of economic advance.

Over and above the waste of energy involved in this condition of individual warfare, there seems also to exist in the human breast a natural antipathy to such a state of affairs. If we now pursue our process of self-examination to the end, we shall find that beyond the merely economic desires which crave satisfaction and impel us onward in the struggle for existence, there is further a long series of what we might call political wants, emanating entirely from our universal nature, which also demand fulfillment. We desire to live at peace with our neighbors, we are anxious to coöperate with them in the mutual satisfaction of our wants and to work in harmony with them in our struggle with outer nature. Darwin seems somewhat in doubt whether these "social instincts," as he calls them, have been acquired "through natural selection, or by the indirect result of other instincts and faculties, such as sympathy, reason, experience and a tendency to imitation; or again whether they

are the result of long-continued habit.”¹ Be this as it may, we can certainly affirm with confidence that it is man’s insatiable desires, both political and economic, which, unable to reap adequate satisfaction through the individual application of labor and capital upon the land, compel him to call once more upon his universal nature to devise some means whereby he may unite with his fellows in the joint fulfillment of their wants and in harmony of life.

Such a union of interests, to be economically advantageous, must not only imply a political association of individuals, but also a division of their labor and capital and a regular system for the exchange and distribution of their products. Now in order that this scheme of coöperation may be actually carried out, and not remain simply an idea of the reason, some concrete form of industrial organization is absolutely essential. Furthermore, considering human nature as it is, the organization, as such, must be all powerful over the individual, in order that each worker shall be forced to do his allotted part, and in order that each shall receive a share in the ultimate distribution of the goods of satisfaction in due proportion to the labor and capital he himself has expended. In other words, an organization of individuals for industrial purposes, to be active, must be subject to the control of one supreme central authority, to which all individual questions affecting its workings may be referred, and from which there can be no appeal.

This idea of a union of individuals under one sovereign power, is, however, nothing more nor less than the idea of the state expressed in the language of economics ; or, as Bluntschli has tersely and adequately expressed it: “Der Staat ist die organisierte Menschheit.”² If, therefore, we mean by an economy the continued satisfaction of the ever-expanding wants of mankind at the least possible expense of human energy, we are forced, it seems to me, to add to the three elements thus far found essential to the idea, land, labor and capital — a fourth constituent element, the economic state.

¹ Darwin, *Descent of Man*, p. 79.

² *Lehre vom Modernen Staat*, I, 34.

II.

Let us now change our point of view, and examine the industrial conditions of society objectively.

Since all mankind must, in a state of pure nature, satisfy its primitive wants through the exertion of physical energy upon the land; and, since we can discover no savage people in all the course of history who have not shown at least some ingenuity in the invention of labor-saving devices, as well as some restraint in the saving of such goods as could be devoted to reproduction: we are certainly justified in assuming land, labor and capital as the three elements which, in fact as well as in theory, have proved essential to all human economies. Of the fourth constituent element in our ideal economy, however, we cannot speak with such easy assurance. We certainly do not see all individuals nowadays co-operating in the struggle for existence under one industrial organization; nor, indeed, does this appear ever to have been the case. But on the other hand, history affords us no consistent examples of individuals who, for any length of time, have successfully combatted nature single-handed. We are thus precluded from basing our inductions either upon an all-comprehensive world state, or again upon a system of economic individualism.

We shall reach a more correct conception of the actual state of affairs, it seems to me, if we but remember that evolutionary growth is not that of a straight stalk ending in a single flower, but rather that of a tree and its branches, each branch sprouting with countless twigs, and each twig laden with many blossoms. With this idea in mind, we may best look upon the pre-historic horde-life of man on earth as the roots of the tree of economic evolution. We will see, then, that in the course of time there have grown from the original trunk many industrial branches, on whose myriad twigs again have blossomed innumerable human economies, each with its own land, labor and capital all closely held together in the folds of its particular industrial organization. An analysis of the concrete conditions of modern industrial society would seem thus to have

become exceedingly complicated; yet this is not necessarily the case. To determine whether the economic state is, in practice as well as in theory, a condition precedent to industrial advance, we have but to follow the growth of that particular branch of the economic tree which to-day is the stoutest and longest, and then analyse the most perfect flower of its topmost twig. In this is embodied that economic concept most nearly approaching the ideal economy of our reason; and having determined upon its constituent elements, we may take them to be those actually essential to the highest forms of economic evolution.

To arrive at practical results we must therefore discover, partly through a process of elimination and partly through a constructive historical inquiry, in the first place, what lands of the earth's surface have been the abodes of man's successful economies; secondly, what human beings by the application of their labor and capital have brought these economies to their high degree of perfection; thirdly, whether these people have achieved this end through coöperative methods; and, lastly, to what extent the industrial organization so formed, if present, has proven indispensable to their economic advance.

All the lands of the earth's surface are, as we know, not equally qualified to supply the economic needs of the human race; nor, indeed, have they all been rendered equally productive by the application of labor and capital. In the frigid zones, on the one hand, nature responds so charily to the labor of man that he must exert his utmost physical effort barely to subsist; while neither energy, time nor material is left him to be devoted to capitalization and advance. In the tropics, on the other hand, nature is too lavish. It requires there little more than simple physical motion to satisfy all the requirements of a lazy existence. Necessity rarely calls forth the mental reserve force of the inhabitants of these parts, while the ease of life and the enervating influence of the climate conspire to suppress in these people all ambition and all desire to improve their lot. In the configuration of the earth's surface, at least, we may truly say that virtue lies in the mean. It is in the lands of the

temperate zone, or in those lands of the tropics whose elevation renders their conditions of soil and climate similar to those of the temperate zone, where human beings have actually realized the ideas of their reason, and have thus raised themselves definitely above the plane of simple existence. The cause of this phenomenon is apparent enough. In these temperate lands nature returns to man, provided he exerts his energy upon her, ever something over and above the necessities of every-day life, and thus assures to him both time to picture new wants and ambition to satisfy them, besides providing him with extra materials upon which he may exercise his economic ingenuity.

In spite of these natural advantages, however, we find to-day, in some of the most fertile lands of the temperate zone, both stagnant and retrogressive economic conditions. We can only infer from this that all human beings are not equally endowed with economic genius. Let us, therefore, carry our process of elimination still further, and determine, if possible, what members of the human family within these temperate lands have actually taken advantage of their surroundings and are now successfully solving the industrial problem.

Following the latest researches in anthropology, ethnology and comparative philology, we may first divide mankind, somewhat roughly, into three original races: the black, or negro race; the white, or Caucasian race; and an unclassified mass, which is included under the head of the yellow, or Turanian race.

Whether the black race was originally driven from the lands of the temperate zone by successive waves of the yellow and white races is purely a matter of conjecture. We do know, however, that during historic times the negroes have always remained in the tropics and have added little or nothing to economic advance. Whether, again, this unprogressive condition is due to ingrained race characteristics or merely to unfavorable surroundings, is not the question. Probably both causes have had an influence. The fact that the members of this primitive race who have been transported in a condition of slavery to

fertile lands of the temperate zone, have rarely shown, even after regaining their freedom, any special economic genius or any great ambition to advance, points rather strongly to the conclusion that the negro race is essentially inferior.

In dealing with the economic characteristics of the yellow race, on the other hand, we have a more complex problem before us. The Turanians have inhabited from time immemorial fertile lands of the temperate zone, and in many cases have demonstrated marked economic aptitude. If to-day, however, we except the Hungarians and Japanese, who have adopted the industrial methods of the Caucasians, we must, I think, admit that the members of this conglomerate race have never been able to comprehend the real significance of an economy, as we understand it. True, the best of them are saving and industrious, and have shown at times remarkable inventive genius in conquering niggardly nature; their wants, however, are few, their industrial organization is crude in the extreme, and there appears among them none of that restless ambition to perfect their existence, so characteristic of our modern economies. We need no longer follow, therefore, the growth of either negro or Turanian economies. Not that they do not form branches of the economic tree; but only because these branches are neither so stout nor so long as those of the white race, and because their industrial blossoms are at best undeveloped.

Even though we may now eliminate from our inquiry the lands of both torrid and frigid zones and the labor and capital of the black and the yellow races, as factors which can not enter into the economic unit we are seeking, still our inductive analysis is far from complete. Neither the land of the temperate zone nor the economic energy of the white race can constitute the simple elements we require as the foundation for our constructive work. We have before us, it is true, the main branch of economic culture, but we have still to determine which of its twigs have borne the fairest flowers.

If we proceed to examine the temperate lands more carefully, we shall find them composed of smaller geographic unities,

which we may succinctly define in the words of Dr. Burgess as "territories separated from other territories by high mountain ranges, or broad bodies of water, or impenetrable forests and jungles, or climatic extremes—such barriers as place, or did once place, great difficulties in the way of external intercourse and communication."¹ Though all situated within the temperate zone, some of these geographic unities are found to be by nature better qualified than others to respond to the labor of man; some are peculiarly adapted to the satisfaction of one set of human wants, some to the gratification of another. To be exact, therefore, we should examine these geographic unities severally, looking upon each as the land-element of that particular economic structure man has built upon it.

Nor, on the other hand, can the white race be at all regarded, in history, as a simple ethnic unit, whatever may have been the case in prehistoric times. While still nomads the Caucasians are found divided into three great families, the Hamitic, the Semitic and the Aryan. The members of these several families, again, the better to gratify their primitive desires, early began to exercise their inventive faculties in fashioning implements of the chase and in organizing themselves along family lines into clans and tribes. Having thus, through the institution of capital and the realization of their social instincts, raised themselves once for all above the purely savage state, the succeeding steps in the politico-economic evolution of these several tribes followed in natural sequence. Finding their immediate physical wants still insufficiently and irregularly satisfied, these people probably next conceived the idea of taming the beasts of the field, instead of killing them outright, and thus provided themselves with a form of capital which would reproduce itself, with but little expense of energy on their part. It is on this plane of economic civilization that we meet our Caucasian ancestors in legend, organized as pastoral tribes, wandering over the lands of the temperate zone, tending their flocks. With them, however, nomadic existence was, like the hunting stage before, but a

¹ Burgess, *Political Science and Constitutional Law*, vol. i, p. 2.

transition period, and at a certain point in its career each family of this dominant race turned to agricultural pursuits, thus realizing the significant idea of capitalizing the very surface of the earth itself, and making it reproduce to order. This transition to the agricultural stage of society necessitated, of course, an abandonment of the older wandering life, and gradually brought with it also a revolution of the primitive tribal organization. Some particular district of land, some special geographic unity of the temperate zone, had now to be chosen as a definite abode and source of supply. A new element was thus added to the lives and traditions of these various tribes. The desire to exploit the natural resources of their geographic unity by the application of labor and capital and through the improvement of their industrial organization, together with the necessity of defending their incipient economy from the rapacity of jealous neighbors, immensely broadened the sphere of action for the social instincts of these people, strengthened their family ties, and developed further the bonds of tribal union already existing. Peculiar geographic conditions, working thus upon these half-leavened lumps of tribal affinities, produced finally a further coalescence within each of the three great families of the white race, and formed a new aggregate, the nation, which may be looked upon as the simplest ethnic unity, and defined again with Dr. Burgess, as "a population having a common language and literature, a common tradition and history, a common custom and a common consciousness of rights and wrongs."¹

Our process of elimination may now be considered complete; for, as a matter of historic fact, I think it will be conceded that it is the interaction of these two forces—the productive capacities of the several geographic unities of the temperate zone, and the economic energy of the various Caucasian nations inhabiting the same—which has actually brought forth the highest types of our economic civilization. By economic energy, however, I do not mean human labor in the ordinary sense of the term, but rather physical labor force,

¹ Burgess, *Political Science and Constitutional Law*, vol. i, p. 2.

directed by that subtler energy of man's mental nature which we have called his inventive genius.

Henceforth our inquiry will be constructive, and will be directed along the line of general economic history. We have now simply to determine which of these ethnic unities of the white race have reared the most perfect economies within the geographic unities of the temperate zone, and to what extent these successful builders have deemed it to their highest industrial interest to place themselves, their land and their capital all under the supreme authority of an economic state.

Assuming such a geographic unity of the temperate zone, inhabited by an ethnically unified people of the dominant race of man, some form of industrial organization, including the land, labor and capital contained therein, and with supreme authority over all three elements, would seem to be a natural development. It would certainly be to such a nation's interest to exploit to the utmost the natural advantages of its particular land; and this, experience as well as reason will reveal, can only be accomplished by means of a division of labor and capital, and through a system of exchange and distribution, harmoniously carried out under the sanction of supreme law. Then, again, among a people who, through inherited racial characteristics and the influence of environment, have come to have common economic notions and a common political ambition, there would be little to prevent the formation of such an organization and little to hamper its operation when once established.

Among the economies of the ancient Semites, Hamites and Aryans, however, this idea of industrial coöperation was but little developed. The individuals composing the several ethnic unities in these families of the white race were not in a position to comprehend the scope and advantage of such a system. What organization there was, therefore, came from above. Those few enlightened men who grasped the idea of the state and its sovereignty, used it to oppress their fellows and reap the rewards themselves. Furthermore, as soon as each of these ancient nations had reached a certain point in its politico-

economic growth, the idea of conquest cropped out, which, indeed, seemed to them the only adequate way of satisfying their expanding wants. By the application of great physical force, concentrated through military organization, weaker economies could thus be brought under the sway of the stronger, and the land, labor and capital of the former be turned to the further gratification of the desires of the latter. From the standpoint of the dominant nation, this idea was indeed a labor-saving device, and directly in the line of its industrial advance. It had, however, a demoralizing effect upon the conquered people, not only destroying their spontaneous ambition and stifling their spirit of invention, but also hindering at every turn their national development.

As we pass in economic history from Asia to Europe, we notice, it is true, in the later-born economies, that the workers themselves began to enter more and more fully into the control of their industrial organization and into the ultimate distribution of its products. While the idea of the economic state was thus sinking deeper and deeper into the minds of these ancient people, so at the same time, however, as if to neutralize its effect, the idea of conquest waxed stronger and stronger, until at last, among the highest developments of ancient industrial culture, we find, instead of a series of independent economies, simply a collection of incipient economic organisms whose lands, labor and capital are all held firmly by force of arms in the grasp of a single international power.

At this point the main stem of our tree of economic evolution bifurcates. On the one side appear only the dead stock and withered industrial blossoms of Roman imperialism ; on the other the vigorous life and healthy flowers of free Teutonic growth. Grafted to the Roman branch, it was but natural that the earlier blossoms of the young shoot should have resembled those of the older. The idea of conquest, in other words, kept cropping out now and again in different forms during mediæval times ; and though it developed finally into the mere empty dream of a world empire of the West, still it had somewhat the

same retarding effect upon national industrial growth during this period as before. Another force was also active in the same direction during the middle ages. The feudal system—the first bud of this later Aryan branch—divided the lands of the several geographic unities of Europe into smaller arbitrary divisions called fiefs, and gradually transferred the supreme authority over the agricultural economies within them from the original peasant proprietors to the feudal lords themselves, while the handicrafts, then in their infancy, were huddled in the towns under an industrial organization of their own, striving to free themselves entirely from feudal control. Agriculturists living within the same geographic unity, who by nature were destined to become ethnically unified, were thus for a long time kept apart through their subjection to different feudal lords, while the peasants as a class were severed by jealousies and feudal restrictions from their kinsmen of the towns. Loose political organizations among the different feudal lords did exist to some extent during these ages, and some spirit of industrial coöperation began also to manifest itself among the burghers of the different towns. Such organizations, however, disregarded the lines of both geography and ethnography, and one and all were lacking in that principle of central sovereignty so essential to the idea of the state.

Beneath the outer forms of the feudal system, geographic and ethnic forces were, however, still persistently active. The germs of a higher economic product were beginning at last to show signs of life. Within each geographic unity some Teutonic prince, actuated by personal ambition and yet supported for the most part by the entire peasant class, whose aim was to free themselves from the exactions of the petty lords, began step by step to bring under his control all the agricultural fiefs of the land. The towns, on the other hand, had already become practically freed from the feudal system; and, as each had its own political and economic interests, they were naturally loath to be again subjected to external authority. In time, however, it became apparent to the townsmen that their guild economies could not advance a step farther without

the support of the agricultural class. Some regular system of exchange between the two was absolutely essential, and such a system, the burghers were reluctantly forced to admit, could now only be carried out under the authority of the lord who had by this time brought under his control all the other industrial factors of the country. Thus were the various towns of each geographic unity one by one compelled, sometimes by brute force, sometimes by the economic necessity of the case, to join with the agriculturists, and enter with them into the particular politico-economic organization designed by the absolute monarch to meet their respective needs.

In Europe, at least, we may therefore truly say, the growth of national politics and the development of national economies went hand in hand. Through the inventive genius of the Teutons the industrial and political wants of these later Aryan people were at last placed upon the road to mutual satisfaction. As early as the seventeenth century we find in the geographic unities west of the Rhine—the Spanish peninsula, the Gallic lands and the British Isles—pretty well amalgamated ethnic unities, each with its accumulated wealth and capital, each politically and economically organized under a Teutonic prince who based his authority, not primarily on force, but rather upon the tacit approval of both peasants and burghers and the acquiescence of the feudal aristocracy. The national industrial state had, in short, by this time become an economic necessity, and before it the older feudal economies everywhere fell away. In their places other national states grew up in time within the rather ill-defined geographic unities of Central Europe and along the border lines of the Gallic lands, in Northern Europe, in the Italian peninsula, and to some extent also in the Slavic lands of Eastern Europe—one and all, if we examine the question closely, owing their politico-economic organization to Teutonic inventive genius.

With this increase in the number of industrial states, there was going on at the same time in Europe an evolution also in their internal structure. Once under the control of a central economic authority, the agriculturists and handicrafts-

men of these new nations began to find their respective economic interests becoming more and more identified through the exchanging class, and at the same time to realize a divergence of these interests from those of the authority to which they had submitted themselves. Their demand was accordingly for greater individual freedom and at the same time for a closer industrial organization. The national monarchs naturally failed to grasp the situation. From the outset they had been actuated in their work by the idea of personal aggrandizement, and they looked upon their now full-fledged national economies much as their fathers had regarded their original feudal estates. To carry out their common ideas, each ethnic unity, therefore, was compelled at last to assert its own collective sovereignty, and intrust the authority, both political and economic, to a ruler of its own choosing, no longer in fee simple, but only during good behavior, and even then under strict conditions as to policy. Thus in law as well as fact each European nation, organized now along political and economic lines as a state, became the holder of the sovereign power over its own individual members, and over the land whence, by means of its labor and capital, it could achieve the satisfaction of its wants.

Three of the states so formed, England, France and Spain, had, meanwhile, sent forth ethnic shoots into the western hemisphere, some of which have since grown up into national industrial states within the geographic unities of America. Those in the southern continent have followed very closely the bent of Spain in their politico-economic growth; though, as independent states, they are even at this day comparatively immature. The industrial organism of the far north, on the other hand, though well developed economically, is still politically attached to England, and cannot, thus, be considered an independent state at all.

In the centre of the North American continent lay three geographic unities, the Atlantic slope, the Mississippi basin, and the South Pacific slope,¹ colonized respectively by English, French and Spanish settlers. It seemed at one time

¹ Burgess, *Political Science and Constitutional Law*, vol. i, p. 12.

as if the coincidence of these lines of ethnic and geographic demarkation might result in the growth of three independent states. The longitudinal mountain ranges of North America, however, could scarcely form barriers sufficient to shut off communication between nations so highly developed in the ways and means of intercourse as the English, French and Spanish. The early settlers, furthermore, were all on the same plane of economic culture; and under the influence of the common interest in redeeming their new lands and keeping them free from the further encroachments of their former masters, the absolute monarchs of Europe, old-country ethnic divisions began gradually to fade away. As a matter of fact, the entire North American continent may perhaps best be regarded as a single geographic unity. It is practically all included within the temperate zone; it is surrounded on all sides by broad stretches of water; and it is but little cut up internally by mountain ranges or great climatic differences. These considerations impressed themselves more or less upon the English, French and Spanish settlers, and the question as to which of the three ethnic types should assume the initiative in controlling the entire country and in organizing a common industrial system for all, thus resolved itself, finally, into one of force. The struggle, however, was short lived. The English colonists, descendants from the purest Teutonic stock, won the day, absorbed the other ethnic elements and freed themselves entirely from European control.

Influenced by their new environments, these three European nationalities, in combination with each other and in further amalgamation with other ethnic types of the old world, have since given birth to a new ethnic unity,—the Americans,—who in turn have amassed their own national capital and, untrammled by feudal traditions, have organized themselves along political and economic lines of their own into what is probably the most perfect industrial state as yet evolved by the genius of man.

Here our constructive enquiry must cease. In the national state of our day we assuredly have before us that concrete

economic concept which most nearly approaches our pure idea of industrially organized mankind. As the essential elements of this concept, we should, therefore, now substitute for the land of the earth's surface the several geographic unities of Europe and America, and for the economic energy of the human race the peculiar forms of labor and capital applied upon these lands by the nations of later Aryan stock inhabiting them. Thus, instead of premising an all-comprehensive world organism, we should at present, it seems to me, confine our attention to an analysis of the particular industrial organizations which enfold, as it were, the land, labor and capital of our modern national states.

III.

If called upon to define a national industrial state, I should speak of it as a product — and, withal, the highest product — of politico-economic evolution, made possible by the social instincts of man, induced by his primitive economic and political wants, and developed naturally through the centuries of his growth, in order to satisfy the increasing requirements of his ever-expanding physical and spiritual desires. Not only would I call this state a product of evolution, but further, an *organic* product, formed, as we have in our hasty survey noted, by the natural coalescence of individuals of a certain ethnic type, each with reciprocal social and industrial relations the one to the other, and all at the same time as organic units in direct politico-economic connection with the national state itself, which, in a final word, I would define as a *politico-economic organism*.

In all the state forms of the past there has always been one final authority, one court of last resort in matters industrial as well as in matters political. The change that has gradually come about has not been in the essence of authority itself, but rather in the particular persons in whom such sovereignty has in the course of time become vested. Publicists, it is true, have carefully followed the development of this idea from a purely political standpoint, and traced the gradual transition of

state authority from priests to despots, from the despots through the transition stage of oligarchy rule to the absolute monarchs, and from the absolute monarch finally to the popular sovereignty of our modern constitutional era. All that I have here endeavored to make plain is, that from beginning to end, in inception as well as in development, the sovereign state has always been, is now, and in all probability will ever remain economic as well as political in character. I have simply wished to show that the final source of political and economic power must in the very nature of things be one and the same; that our modern national states, in other words, are the economic sovereigns of the age, and that no individual industrial transaction can be begun, carried on or completed without the express or implied consent of one of these supreme authorities.

Instead, therefore, of premising the universal economic rights of man, we should, it seems to me, take our stand firmly at the outset on the economic sovereignty of the state and reason accordingly. Land and labor will still remain the primal elements of human existence; capital we shall find to be a phenomenon common in various degrees to all advancing economies; but it is the sovereign national state after all which must in our day, at least, be regarded as the determining factor in economic advance.

IV.

Publicists have long since ceased to speak of individual liberty as a natural right of man. Why, then, should economists continue to premise man's natural right of economic freedom? Such assumptions can only tend to retard the natural growth of our economic organisms. Economic freedom, I take it, is nothing more or less than the sphere of autonomy allowed to the individual by the state in economic matters. In economic as in political liberty the sovereign power sets the final bounds. So long as the supreme authority lay in the hands of despots, of feudal lords, or even of the absolute monarchs, this domain of economic freedom was, it is true, unnecessarily contracted and its boundaries arbitrary.

Nowadays, however, since the people themselves have become the state, the case is different. Under the constitutional system the people as an organic unit allot to themselves in severalty a definite sphere of individual industrial action, and place their government over the same to guard its boundaries. If one individual should then intrench upon the economic rights of another, these same governmental authorities will interfere. If, on the other hand, any organ of government itself should endeavor to overstep the power delegated to it by the sovereign state, and encroach upon the field of individual autonomy, the system of checks and balances in the modern constitution will operate to redress the wrong. Or, finally, if it become the prevailing opinion among the people that the domain of individual economic liberty thus laid down by them has in the course of time become too narrow or too extended to serve the best interests of their organic life, they may in their capacity as sovereign state, by amendment of their constitution, reconstruct the boundaries of industrial freedom to suit these changed conditions. In any case, it is the state which remains supreme ; individuals, as such, simply carry on their several economic activities under its control and at its pleasure.

When we speak in economics, therefore, of freedom of contract, freedom of labor and capital, freedom of business and market, we can only mean thereby such freedom as the state allows to individuals in these matters. Hence industrial liberty is not, as some would have it, the final issue between the forces of individualism and socialism in their death struggle, but rather a question of expediency, to be determined by the state, and not once for all, but relatively to time, place and organic growth—a question which rising state majorities will continue to take from the hands of antiquated governments to decide anew.

V.

The industrial organism of the modern national state, then, is the fairest flower of economic evolution. But the tree of industrial development still tends heavenward and gives

promise of perhaps more perfect blossoms. We must consider the possibilities of this future growth.

We have already noted that the geographic unities of the temperate zone are by nature adapted, some to one form of production, others to another; that the various nations have exerted their inventive genius in the application of capital along various independent lines. Two courses are thus left open for the economic procedure of a national state. Either it may extract from its own land what satisfaction it can for all the diverse wants of its individual members, or it may use its labor force and peculiar inventive genius in exploiting its territory in that particular way for which it is by nature best adapted. Should an industrial state pursue the latter course, it must first be assured that the rest of the national organisms will also follow the same plan; for unless each can secure in return for its own surplus product a share of the peculiar surplus products of all the other states, the diverse wants of its inhabitants will still remain unsatisfied, and at the same time it will find itself burdened with a redundancy of its own productions.

In the early days of economic development such a system of division of labor and exchange on a national scale between the different sections of each geographic unity, and among the several industrial classes of each ethnic unity, was found, as we know, advantageous to all concerned. The same principle became, therefore, the more readily applied with increasing economic gain on an international basis among the several industrial states themselves. Just as, in the past, individuals of a common ethnic type settled in a definite land were induced, through their common social and industrial interests, to unite under one state organization, so now these very national states, sprung from one family of the white race, of common culture and with common aims, are beginning to be drawn into closer and closer union for the better fulfillment of their larger politico-economic demands. The cardinal distinction between the national and the international union lies in this fact, that over the individuals of the former the organization itself

is supreme, while in the latter the national organic units still retain their sovereignty. In the one case we are dealing with an organism, in form at least, complete ; while in the other the process of crystallization has practically just begun.

The political side of this incipient world-organism is indeed but slightly developed ; for political wants seem as yet better satisfied along national lines. It is the economic side—the international industrial union—which is significant. Economic wants seem to have expanded too far to be any longer adequately satisfied by national production and national division of labor alone. The crystallization of national economies into an international organization is, therefore, already well advanced, and is even now beginning to mould political alliances to suit its form. Modern nations, like individuals of old, are, it is true, for the present loath to submit themselves entirely to any extraneous control, either political or economic, and deem it essential to their best interests still to cling to the earlier principles of agreement and self-help. We should take particular note of the fact, however, that while international political law recognizes no ultimate authority other than the force of arms, international commercial law is actually enforced in the courts of the several national states themselves. Thus, again, by another road, have we come upon an actual realization of the world-empire idea. What authority it has, however, this international industrial organization derives, not, as before, from the force of arms, but rather from the free will of the national states themselves—the organic units which form it.

These buds of world-economy seem only to be found among the sparse foliage of higher economic evolution, for the present somewhat beyond the reach of inductive analysis, yet still in plain view of those, who, from the standpoint of the national organism, are watching them burst into fuller bloom.

Should we now, in conclusion, step back and view the industrial tree as it stands to-day, we cannot fail, I think, to admire its proportions and wonder at the symmetry of its growth. Surely the economic organism is as infused with life as are those of botany or biology. How, then, can the

analysis of such a product be regarded as "the dismal science"? Here, as in all the organisms of nature, the germ of life is the same; it is that very necessity of existence, that insatiable desire for ever something more, which makes us and all organic creatures struggle to live and grow. Human evolution only differs from that of the plants and animals in that man's desires have, in time, become two-fold. In addition to mere physical wants the human being feels the aspirations of a universal self; the nature of pure thought, as I understand it, being simply the complement and evolutionary outgrowth of the nature of pure sensation.

As in man physical well-being is the necessary condition of spiritual elevation, so we find the trunk of our economic tree firm-planted in material earth, whence, through its wide-spreading roots, it may draw its supply of life-giving elements and diffuse them through its branches to its topmost twigs. It is only upon the stout limbs of materialism, that the fair flowers of idealism can actually bloom and thrive; it is only through industrial utilitarianism that the ideals of modern society have ever been made possible. In our study of economics we should not, therefore, rest content with measuring the branches of this industrial tree as so much timber for use; nor, on the other hand, should we merely dilate on the economic beauty of such ideal blossoms as a balmy spring may perhaps bring forth. Rather should we study carefully the growth of the tree as it stands to-day, from its roots in mother-earth on through its spreading branches to the tips of its tiniest shoots; for only when familiar with the nature of its growth may we presume to prune it of its straggling branches and by concentrating its vital energy help it to bring forth the ideal fruits of our reason.

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